



BARDEHLE  
PAGENBERG

# Standard essential patents (SEPs)

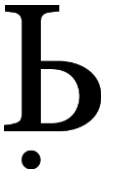
## Standards, Patents and Antitrust

Prof. Dr. Peter Chrocziel

Attorney-at-Law, Attorney-at-Law (New York), Partner

- **Standards**
- National Courts
- European Law to the Rescue?
- Back to National Courts
- Now: Who should be licensee?
- Way Forward

# What are Standards?



- **Necessary and Useful**
- **Usually unnoticed**
- **Some examples**

## AUTOMOTIVE PATENT WARS

# What are Standards?

ᵇ



# Why do we have to talk about Standards?

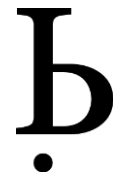


- **Standards Setting Organisations**
- **Participating Industry**
- **Inventions / Patents**
- **Need to use Patents**

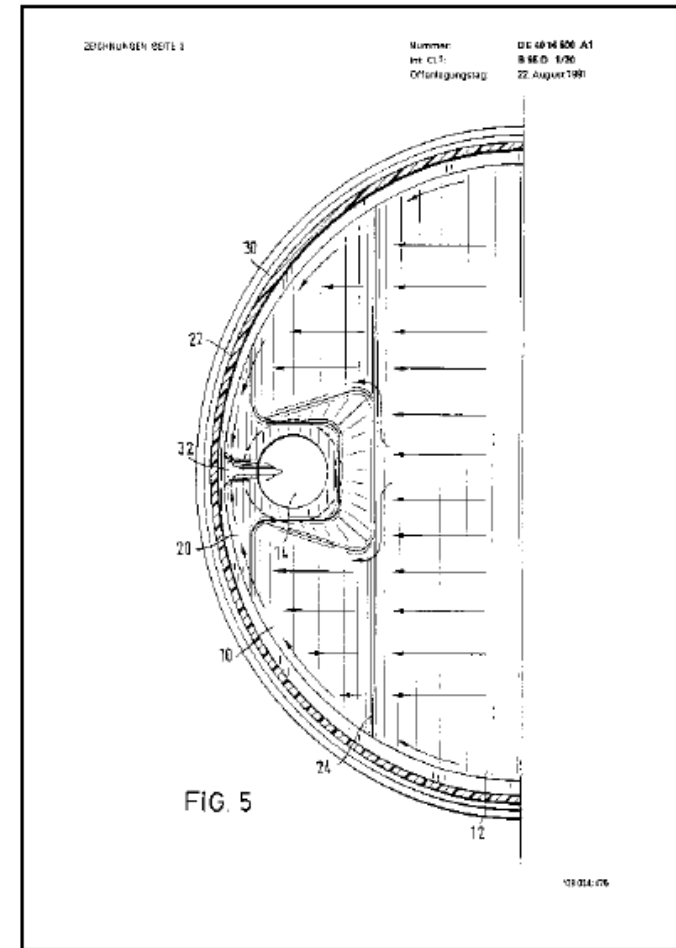
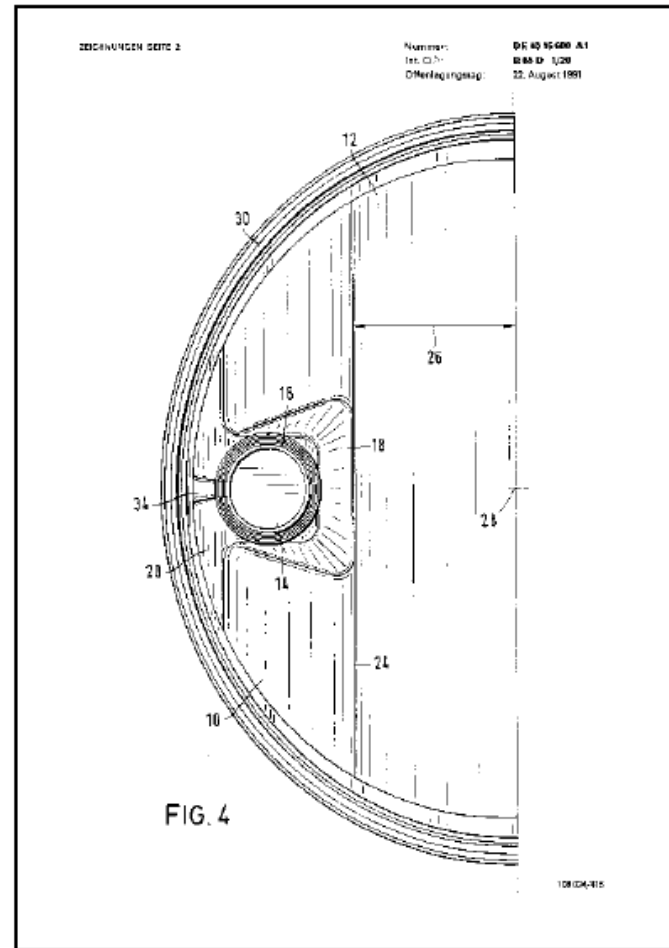
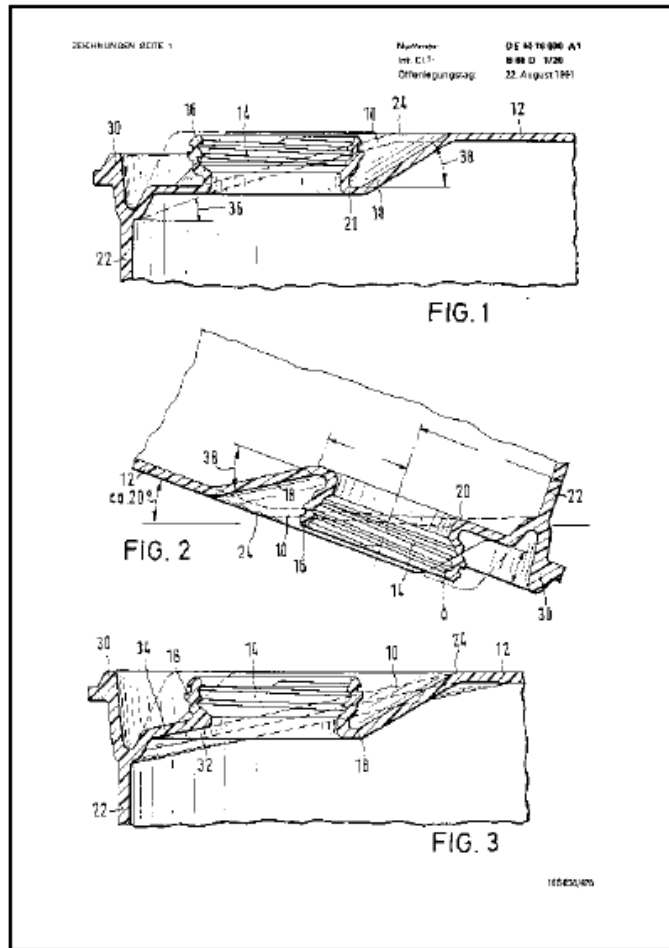
- Standards
- **National Courts**
- European Law to the Rescue?
- Back to National Courts
- Now: Who should be licensee?
- Way Forward

# AUTOMOTIVE PATENT WARS

## Cases before Europe came in (Example: Germany)



- **Spundfaß**



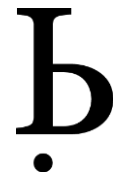
## Cases before Europe came in (Example: Germany)

- **Spundfaß**

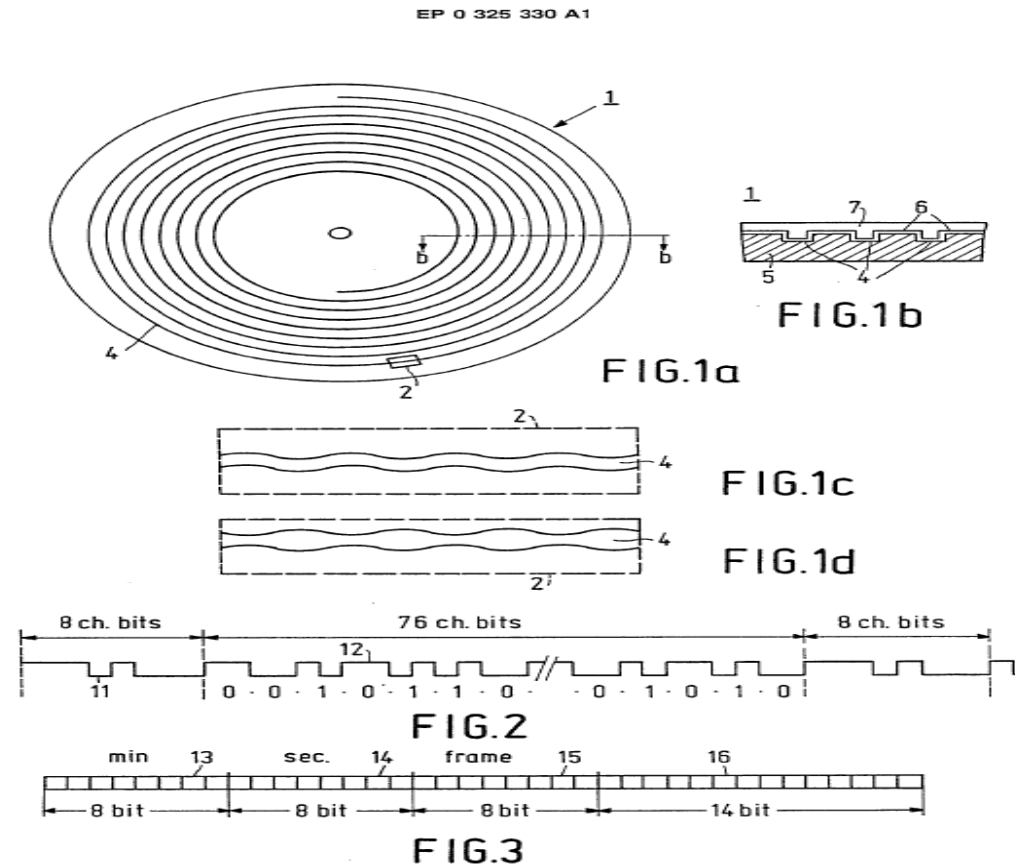




# Cases before Europe came in (Example: Germany)

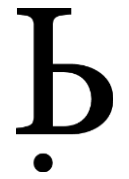


- Orange Book

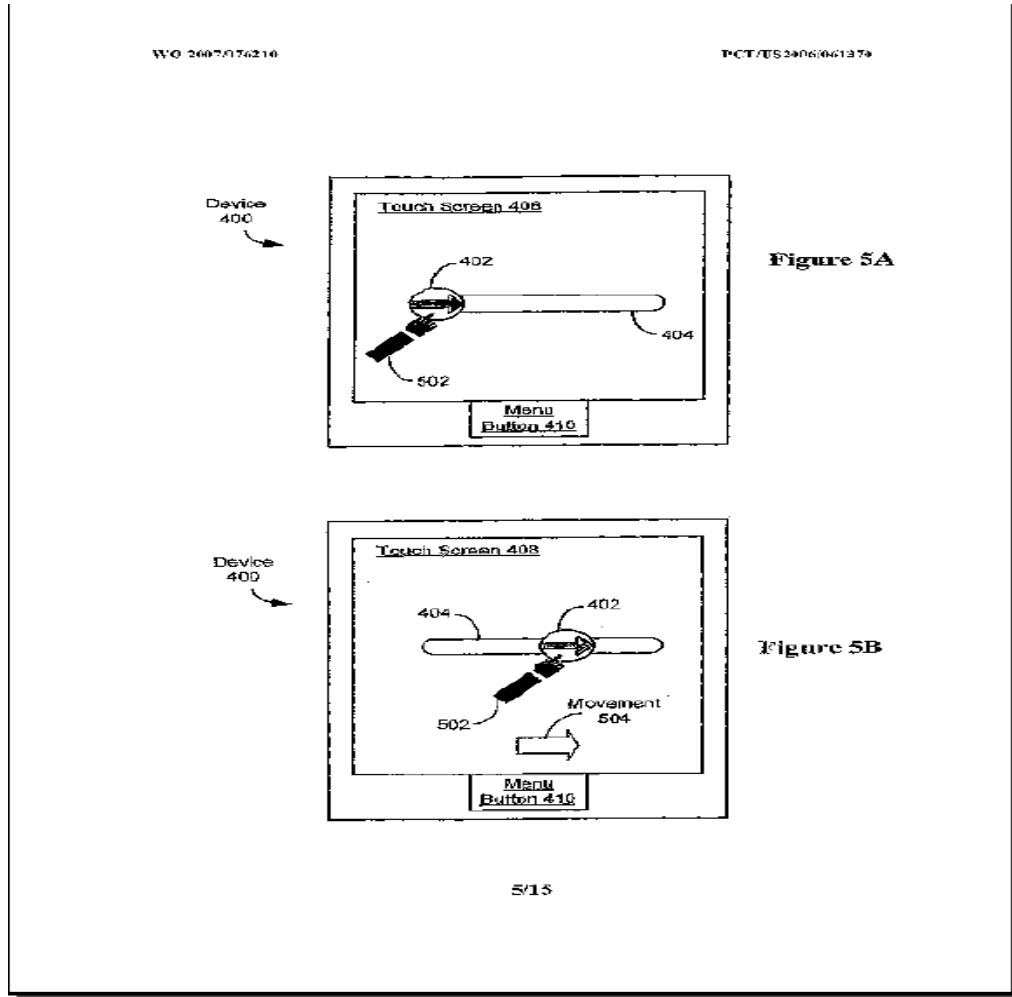


1 - VI - PH N 123 99

# Cases before Europe came in (Example: Germany)



- **Smart phone wars**



## AUTOMOTIVE PATENT WARS

# Cases before Europe came in (Example: Germany)

- **Smart phone wars**



Ḃ

- Standards
- National Courts
- **European Law to the Rescue?**
- Back to National Courts
- Now: Who should be licensee?
- Way Forward

# European Law and Standard Essential Patents



- **Statement of Objections in Apple ./. Samsung and Apple ./. Motorola**
- **Decision (without fines) against Motorola**
- **Commitments accepted from Samsung**
- **Landgericht Düsseldorf: Referral to European Court of Justice**
- **Huawei ./. ZTE European Court of Justice**

# European Commission



## **Samsung**

- Two rounds of commitments
- Injunctions allowed

## **Motorola**

- Injunctions
- Concerns about licenses

# The Huawei Decision July 16, 2015 (I)



## Abuse

- Technological Dependence of Infringer
  - Infringer objectively ready, willing and able to take a license
  - Injunction action has an adverse effect on competition
- Abuse under Art 102 TFEU

# The Huawei Decision July 16, 2015 (II)



## **SEP holder must:**

- Alert and consult Infringer, specify SEP and infringement
- If Infringer is willing to take license: Give written offer for license on FRAND terms; containing all terms; specify royalty calculation



# The Huawei Decision July 16, 2015 (III)



## **Infringer must:**

- Declare willingness to take a license
- React to the offer not purely tactical, dilatory and/or not serious
- Promptly submit counter-offer on FRAND terms
- May ask for terms to be fixed by court or arbitration (in common agreement with SEP holder)
- Provide appropriate security for past acts of use, bank guarantee or deposit, if counter-offer is rejected

# The Huawei Decision July 16, 2015 (IV)



## **Infringer may:**

- Reserve the right to challenge validity of SEP
- Reserve to challenge essentiality / use of SEP

# The Huawei Decision July 16, 2015 (V)

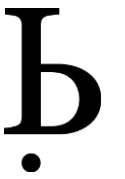


## **SEP holder may:**

- Take action to secure rendering of accounts
- Claim damages for past use

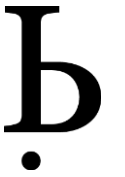
## AUTOMOTIVE PATENT WARS

# The Huawei Decision July 16, 2015



## AUTOMOTIVE PATENT WARS

# The Huawei Decision July 16, 2015



- Standards
- National Courts
- European Law to the Rescue?
- **Back to National Courts**
- Now: Who should be licensee?
- Way Forward

# The (legal) world after Huawei



## Germany

- Mannheim
- Düsseldorf
- Scholars

## UK

- Unwired Planet (x2)

- Standards
- National Courts
- European Law to the Rescue?
- Back to National Courts
- **Now: Who should be licensee?**
- Way Forward



## So: How about payment?



- **To pay at all? SEPs by definition**
- **Where in the supply chain?**
- **Higher Up – Less Money**

## Patent Holders



- **No prohibition to request license from end user**
- **No knowledge how implemented in final product**
- **Value: Connectivity of device (car)**

# Component Makers



- **Carmakers not implementing patents**
- **Only value of SEP**
- **Claims for cars only: “while moving around“?**

# Legal Precedent?



- **Huawei v. ZTE**
- **Motorola Mobility**
- **Google acquisition of Motorola Mobility**
- **Nokia acquisition of Alcatel-Lucent**
- **Horizontal Guidelines**

## Avanci Pool – As Example

- **\$ 15 per license**
- **BMW, 2017**
- **Audi / Porsche / VW, 2019**
- **Component Makers?**

- Standards
- National Courts
- European Law to the Rescue?
- Back to National Courts
- Now: Who should be licensee?
- **Way Forward**

# Complaints to Commission, 2019



- **Daimler**
- **Bury**
- **Valeo**
- **Continental**

## Way forward?



- **Monitoring of IP activities**
- **Get into complex licensing world**
- **Increase participation in SSOs**
- **Standards contribution**
- **Monitor patent assertion companies**
- **Develop own SEP portfolio (5G)**





**Thank you!**

# European Commission Decision 29 April 2014 (Samsung) I – Revised commitments



- First proposal of 27 September 2013
- Default option is court adjudication, not arbitration.
- No alteration of burden of proof regarding validity, infringement and essentiality of SEPs in question.
- Court or arbitral tribunal need to take into account issues of infringement, validity and essentiality when determining FRAND terms and conditions.
- Invitation to negotiate will include a “proud list”, list of standards believed to be implemented by potential licensee, proposed duration for the licensing agreement (not less than 5 years).
- No conditioning of licensing on cross-licensing outside reciprocity rules of SSOs.
- FRAND determinations by arbitral tribunals will be made public.

# European Commission Decision 29 April 2014 (Samsung) II – Decision



- Decision made revised commitments by Samsung binding on Samsung.
- Enforcement of SEPs by a motion for injunctive relief may constitute an abuse.
- Seeking injunctions is allowed if
  - Potential licensee is in financial distress;
  - Potential licensee's assets are located in jurisdictions that do not provide for adequate means of enforcement of damages; or
  - Potential licensee is unwilling to enter into a license agreement on FRAND terms and conditions.

# European Commission Decision 29 April 2014 (Motorola Mobility LLC) I



- Enforcement of SEPs by a motion for injunctive relief may constitute an abuse in exceptional circumstances and absent any objective justification.
- Seeking injunctions is allowed if
  - Potential licensee is in financial distress;
  - Potential licensee's assets are located in jurisdictions that do not provide for adequate means of enforcement of damages; or
  - Potential licensee is unwilling to enter into a license agreement on FRAND terms and conditions – A licensee which accords the SEP holder the right to set the royalties according to its equitable discretion and according to FRAND principles without limitations (but with judicial review) was considered a willing licensee.

# European Commission Decision 29 April 2014 (Motorola Mobility LLC) II



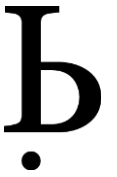
- Anticompetitive effects included that the finally reached license agreement included disadvantageous terms, in particular
  - the SEP holder's right to terminate the license if licensee challenges the validity of a licensed patent; and
  - Licensee's acknowledgement of Motorola's claims for past damages.
- European Commission considers the possibility to invalidate a SEP as beneficial for the entire industry and, ultimately, the consumers.
- Damages would have been set by SEP holder according to its equitable discretion and according to FRAND principles, subject to judicial review. Issue: Acknowledgement of past infringement for patents for which infringement has not been recognized by the competent courts.

# European Commission Decision 29 April 2014 (Motorola Mobility LLC) III



- Compliance with German law (Orange Book requirements) is not a valid defense.
- No fine since no Union decisional practice or case-law existed.

# BARDEHLE.COM



BARDEHLE  
PAGENBERG



BARDEHLE PAGENBERG  
Partnerschaft mbB  
Prinzregentenplatz 7  
81675 München



"Germany Firm of the Year for Copyright/Design" 2019 – honored by *Managing IP*  
"IP Law Firm of the Year" and "Law Firm of the Year for Trademarks & Unfair  
Competition" 2018 – awarded by *JUVE*  
"TOP-KANZLEI Patentrecht 2017" – awarded by *WirtschaftsWoche*  
"Law Firm of the Year" 2016 for Intellectual Property Law – named by *Best Lawyers*<sup>®</sup>  
and *Handelsblatt*